The Stalprodukt S.A. Capital Group

Consolidated Financial Report for the 1st half of 2019

Prepared in compliance with the International Financial Reporting Standards (IFRS) approved by the European Union

Bochnia, April 2019

Contents:

Selected Financial Data

SELECTED FINANCIAL DATA	thousand x PLN		thousand x EUR	
	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018
I. Net sales of products, goods and materials	1 949 752	1 970 278	454 700	464 743
II. Operating profit (loss)	132 444	193 076	30 887	45 542
III. Profit (loss) before taxation	124 997	214 987	29 150	50 710
IV. Net profit (loss)	96 120	178 434	22 416	42 088
- attributable to shareholders of the parent company	89 303	169 975	20 826	40 093
- net profit attributed to non-controlling interests	6 817	8 459	1 590	1 995
V. Net cash flow from operating activities	28 509	153 660	6 648	36 245
VI. Net cash flow from investment activities	-124 234	-240 538	-28 972	-56 738
VII. Net cash flow from financial activities	991	144 037	231	33 975
VIII. Total net cash flow	-94 734	57 159	-22 093	13 482
IX. Total assets	4 396 660	4 357 371	1 034 022	1 013 342
X. Liabilities and provisions for liabilities	1 805 120	1 657 531	424 534	385 472
XI. Long-term liabilities	571 734	497 848	134 462	115 779
XII. Short-term liabilities	804 735	745 289	189 260	173 323
XIII. Shareholders' equity	2 591 540	2 699 840	609 487	627 870
- equity attributable to shareholders of the parent	2 489 525	2 593 547	585 495	603 151
- equity attributed to non-controlling interests	102 015	106 293	23 992	24 719
XIV. Share capital	11 161	11 161	2 625	2 596
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) for one ordinary share (in PLN)	17,22	31,98	4,02	7,54
XVII. Diluted profit (loss) per ordinary share (PLN)	17,22	31,98	4,02	7,54
XVIII. Book value per share (PLN)	464,41	483,82	109,22	112,52
XIX. Diluted book value per share (PLN)				
XX. Declared or paid-out dividend for one share in (PLN/EUR)	5,00	3,00	1,17	0,71

1. Comparable financial data (item IX-XIV and XVIII) was presented pursuant to the requirements of the International Financial Reporting Standards according to the balance for this 31st December 2018. Other comparable data is presented for the period from 1st January 2018 to 30th June 2018.
2. EUR exchange rates according to the following principles were used for the conversion of the currency into PLN:
   - the assets and liabilities items of the balance sheet were converted into EUR according to the average rate announced by the National Bank of Poland for this 30th June 2019 and amounting to PLN 4.2520 and PLN 4.3000 for this 31st December 2018.
   - the profit and loss account items and the cash flow items were converted into EUR according to the rate being the simple average of the average EUR rates announced by the National Bank of Poland on the last day of each month included in the report and amounting to PLN 4.2880 for 1st half 2019 and PLN 4.2395 for 1st half of 2018.
3. For profit-per-share calculation the number of 5,580,267 shares was adopted.
4. The company does not have a complex capital structure (share options, warranties and others) and within the range of profit, the preferred stock does not differ from the bearer's common stock and, therefore, one common share assumed 5 580 267 shares so that the diluted earnings ratio could be calculated.

Abridged Consolidated Financial Report for 1st half of 2018

Consolidated balance sheet for 30.06.2018

CONSOLIDATED BALANCE SHEET	thousand x PLN	
	30.06.2019	31.12.2018
Assets		
I. Fixed assets	**2 380 694**	**2 313 530**
1. Intangible fixed assets, including:	232 599	171 373
- right of perpetual land use	124 641	80 344
2. Tangible fixed assets	2 002 072	1 968 406
3. Long-term receivables	640	630
4. Long-term investments	61 625	98 867
4.1. Real estate	2 631	7 675
4.2. Intangible assets		
4.3. Long-term financial assets	42 917	75 141
4.5. Investments into associated entities	16 077	16 051
5. Long-term prepayments	83 758	74 254
5.1. Deferred income tax assets	30 660	31 697
5.2. Other prepayments	53 098	42 557
II. Current assets	**2 015 966**	**2 043 841**
1. Inventories	834 202	799 798
2. Short-term receivables	646 386	629 786
3. Short-term investments	506 341	596 005
3.1. Short-term financial assets	443 177	532 511
a) loans	20 153	20 000
b) short-term securities	45 172	39 925
c) cash and cash equivalents	377 852	472 586
3.2. Other short-term investments	63 164	63 494
4. Short-term prepayments	29 037	18 252
Total assets	**4 396 660**	**4 357 371**
Liabilities		
I. Shareholders' equity	**2 591 540**	**2 699 840**
1. Equity attributable to shareholders of the parent company	2 489 525	2 593 547
1.1. Share capital	11 161	11 161
1.2. Exchange differences	1 435	2 493
1.3. Reserve capital	669 777	561 927
1.4. Reserve capital from revaluation	43 257	65 288
1.5. Other reserve capital	1 675 053	1 574 552
1.6. Retained earnings (losses)	29 532	107 838

1.7. Profit (loss) from previous years - due to the application of IFRS 16	-29 993	
1.8. Net profit (loss)	89 303	270 288
2. Capital non-controlling interests	102 015	106 293
II. Liabilities and provisions for liabilities	**1 805 120**	**1 657 531**
1. Provisions for liabilities	376 922	381 328
1.1. Provision for deferred income tax	124 698	114 099
1.2. Other provisions	252 224	267 229
a) long-term	191 531	191 867
b) short-term	60 693	75 362
2. Long-term liabilities	571 734	**497 848**
2.1. Long-term credits and loans	139 028	150 839
2.2. Liabilities due to valuation of the right of perpetual usufruct of land according to IFRS 16	83 752	
2.3. Other liabilities	52 839	50 894
2.4. Contingent liabilities due to the purchase of ZGH	296 115	296 115
3. Short-term liabilities	804 735	**745 289**
3.1. Short-term credits and loans	177 971	160 869
3.2. Current part of long-term credits and loans	20 000	20 000
3.3. Trade liabilities	303 737	385 637
3.4. Income tax liabilities	7	24 036
3.5. Other short-term liabilities	303 020	154 747
4. Accruals	51 729	33 066
Total liabilities	**4 396 660**	**4 357 371**
Book value	2 591 540	2 699 840
Number of shares	5 580 267	5 580 267
Book value per share (PLN)	464,41	483,82

Consolidated profit and loss account for the period 01.01.2019 - 30.06.2019

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the period	thousand x PLN	
	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018
I. Net sales of products, goods and materials,	**1 949 752**	**1 970 278**
1. Net sales of products	1 904 929	1 903 194
2. Net sales of goods and materials	44 823	67 084
II. Costs of products, merchandise and	**1 700 991**	**1 666 139**
1. Production cost of products sold	1 660 938	1 606 559
2. Value of goods and materials sold	40 053	59 580
III. Gross profit (loss) on sales	**248 761**	**304 139**
IV. Selling costs	40 967	32 894
V. General and administrative costs	75 616	74 005
VI. Profit (loss) on sales	**132 178**	**197 240**
VII. Other operating incomes	18 647	12 149
VIII. Other operating costs	18 381	16 313
IX. Operating profit (loss)	**132 444**	**193 076**
X. Financial incomes	7 379	36 503
- including: profit from the bargain purchase of GO STEEL		19 749
XI. Financial costs	14 859	14 592
XII. Profit from shares in associated entities	33	
XIII. Profit (loss) before taxation	**124 997**	**214 987**
XIV. Income tax	28 877	36 553
XV. Net profit (loss)	**96 120**	**178 434**
1. Attributable to shareholders of the parent	89 303	169 975
2. Attributed to non-controlling interests	6 817	8 459
Profit (loss) net	96 120	178 434
Weighted average number of ordinary shares	5 580 267	5 580 267
Profit (loss) for one ordinary share (in PLN)	17,22	31,98

Total comprehensive consolidated income for the period 01.01.2019-30.06.2019

Total comprehensive consolidated income	thousand x PLN	
	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018
Net result	178 434	150 231
Valuation differences		
The effective part of the cash flow hedging in accordance with IFRS 9	93 123	
Total Comprehensive Income	**271 557**	**150 231**
Total comprehensive income attributable to the parent company shareholders	258 367	138 939
Total comprehensive income attributed to non-controlling interests	13 190	11 292

Statement of changes in consolidated equity for the period 01.01.2019 – 30.06.2019

Statement of changes in equity for the period from 1st January to 30th June 2019 and 2018	thousand x PLN								
	Share capital	Exchange differences	Reserve capital	Capital from revaluation	Other reserve capital	Retained profits	Current year net profit	Capital non-controlling interests	Equity TOTAL
Balance on this 1.01.2018 (opening balance)	**11 161**	**2 493**	**561 927**	**65 288**	**1 574 552**	**378 126**		**106 293**	**2 699 840**
Profit distribution			105 738		98 661	-204 399			**0**
Profit (loss) from previous years - due to the application of IFRS 16									
Intercapital and consolidation transfer						-29 993			**-29 993**
Dividend		-1 058	2 112		1 840	-16 624		-11 095	**-24 825**
Total comprehensive income for period 1.01 - 30.06.2019						-127 571			**-127 571**
Valuation of hedging transactions				-22 031			89 303	6 817	**74 089**
Balance on this 30.06.2019 (closing balance)				*-22 031*					***-22 031***
Balance on this 1.01.2018 (opening balance)	**11 161**	**1 435**	**669 777**	**43 257**	**1 675 053**	**-461**	**89 303**	**102 015**	**2 591 540**
Profit distribution	**11 161**		**490 963**	**-126 978**	**1 477 155**	**292 998**		**90 369**	**2 235 668**
Valuation of hedging transactions			54 665		81 522	-136 187			**0**
Intercapital and consolidation transfer				93 123					**93 123**
Dividend			-17 271		3 437	16 444		-1 134	**1 476**
Redemption of own shares						-16 740			**-16 740**
Total comprehensive income for period 1.01 - 30.06.2017							169 975	8 459	**178 434**
Balance on this 30.06.2017 (closing balance)	**11 161**		**528 357**	**-33 855**	**1 562 114**	**156 515**	**169 975**	**97 694**	**2 491 961**

Consolidated cash flow account for the period 01.01.2019-30.06.2019

CONSOLIDATED CASH FLOW ACCOUNT for the period	thousand x PLN	
	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018
Profit before taxation	**124 997**	
Tax paid	**28 877**	
A. Cash flow from operational activity - indirect method	**28 509**	**153 660**
I. Net profit (loss)		178 434
II. Total adjustments	-67 611	-24 774
1. Net profit share of entities – valuation with equity method	2 162	
2. Depreciation	81 827	71 415
3. (Profit) loss from exchange rate fluctuations	199	-479
4. Interest and profit share (dividends)	789	2 575
5. (Profit) loss on investment activities	3 176	1 745
6. Change in reserves	-17 618	9 462
7. Change in inventories	-34 424	-147 259
8. Change in receivables	-16 600	-95 519
9. Change in short-term liabilities except for loans and credits	-84 547	144 851
10. Change in accruals	-1 203	-10 024
11. Correction from deferred income tax	-1 372	-1 541
III. Net cash flow from operating activities	**28 509**	**153 660**
B. Cash flow from investment activity	**-124 234**	**-240 538**
I. Inflows	2 732	137 185
1. Sales of intangible and tangible fixed assets	350	241
2. Sales of real estate properties and intangible assets		
3. From financial assets, including:	2 382	136 944
- financial assets sold	2 253	116 575
- dividends and profit share received		
- repayment of long-term loans granted		20 000
- interest received	129	369
- other inflows from financial assets		
4. Other investment inflows		
II. Outflows	-126 966	-377 723
1.Purchase of intangible and tangible fixed assets	-121 299	-67 304
2. Real estate property and intangible assets		
3. To financial assets, including:	-5 667	-310 081
- financial assets purchased	-4 894	-310 381
- long-term loans granted	-773	
4. Other investment outflows		-338
III. Net cash flow from investment activities	-124 234	-240 538
C. Cash flow from financial activity	**991**	**144 037**
I. Inflows	31 587	166 054

1. Net inflows from issue of shares, other capital instruments and capital receipts		
2. Credits and loans	21 866	165 725
3. Issue of debentures		
4. Other financial inflows	9 721	329
II. Outflows	-30 596	-22 017
1. Purchase of own shares		
2. Dividends and other dues paid to shareholders	-2 465	-2 704
3. Outflows from profit distribution, other than dues paid to shareholders		
4. Credits and loans repaid	-16 575	-11 004
5. Redemption of debentures		
6. From other financial liabilities		
7. Contractual payments of financial leasing dues	-4 956	-1 341
8. Interest paid	-6 600	-6 968
9. Other financial outflows		
III. Net cash flow from financial activities	991	1 44 037
D. Total net cash flow	**-94 734**	**57 159**
E. Balance sheet change in cash, including:	-94 734	57 159
F. Cash (beginning of period)	472 586	498 037
G. Cash (end of period), including:	377 852	555 196
- of limited access and disposal	2 766	

Explanations relating to cash flow statement:
Change in the status of liabilities:
- adjustment due to a dividend unpaid as of 30th June, 2019: PLN 127,571 thousand,
- liability adjustment due to the perpetual usufruct of land valuation according to MSSF 16: PLN 83,752 thousand,
- adjustment; change of status of other financial liabilities: PLN 1,265 thousand.

Abridged Financial Report for the 1st half of 2019

Selected Financial Data

Selected Financial Data	thousand x PLN		thousand x PLN	
	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018
I. Net sales of products, goods and	802 892	763 818	187 242	180 167
II. Operating profit (loss)	1 544	28 076	360	6 622
III. Profit (loss) before taxation	3 611	30 189	842	7 121
IV. Net profit (loss)	1 325	25 606	309	6 040
V. Net cash flow from operating activities	-1 566	-55 756	-365	-13 152
VI. Net cash flow from investment	-3 862	-147 041	-901	-34 683
VII. Net cash flow from financial activities	10 158	133 891	2 369	31 582
VIII. Total net cash flow	4 730	-68 906	1 103	-16 253
IX. Total assets	2 178 718	2 218 872	512 398	516 017
X. Liabilities and provisions for liabilities	590 621	585 996	138 904	136 278
XI. Long-term liabilities	119 988	70 000	28 219	16 279
XII. Short-term liabilities	355 803	404 095	83 679	93 973
XIII. Shareholders' equity	1 588 097	1 632 876	373 494	379 739
XIV. Share capital	11 161	11 161	2 625	2 596
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) per ordinary share (PLN)	0,24	4,59	0,06	1,08
Diluted profit (loss) per ordinary share	0,24	4,59	0,06	1,08
XVII. Book value per share (PLN)	284,59	292,62	66,93	68,05
Diluted book value per share (PLN)				
XVIII. Declared or paid-out dividend for one share in (PLN/EUR)	5,00	3,00	1,17	0,72

1. Comparable financial data (item IX-XIV and XVII) was presented pursuant to the requirements of the International Financial Reporting Standards according to the balance for this 31st December 2018. Other comparable data is presented for the period from 1st January 2017 to 30th June 2018.
2. EUR exchange rates according to the following principles were used for the conversion of the currency into PLN:
- the assets and liabilities items of the balance sheet were converted into EUR according to the average rate announced by the National Bank of Poland for this 30th June 2019 and amounting to PLN 4.2520 and PLN 4.3000 for this 31st December 2018.
- the profit and loss account items and the cash flow items were converted into EUR according to the rate being the simple average of the average EUR rates announced by the National Bank of Poland on the last day of each month included in the report and amounting to PLN 4.2880 for 1st half 2019 and PLN 4.2395 for 1st half of 2018.
3. For profit-per-share calculation the number of 5,580,267 shares was adopted.
4. The company does not have a complex capital structure (share options, warranties and others) and within the range of profit, the preferred stock does not differ from the bearer's common stock and, therefore, one common share assumed 5 580 267 shares so that the diluted earnings ratio could be calculated.

Balance sheet for 30.06.2019

BALANCE SHEET	thousand x PLN	
	30.06.2019	31.12.2018
Assets		
I. Fixed assets	**1 532 444**	**1 507 844**
1. Intangible fixed assets, including	116 017	71 825
- right of perpetual land use	85 413	41 033
2. Tangible fixed assets	831 097	841 862
3. Long-term receivables		
4. Long-term investments	583 227	592 476
4.1. Real estate investments	55 225	62 974
4.2. Intangible assets		
4.3. Long-term financial assets	528 002	529 502
4.4. Other long-term investments		
5. Long-term prepayments	2 103	1 681
5.1. Deferred income tax assets	2 103	1 681
5.2. Other prepayments		
II. Current assets	**646 274**	**711 028**
1. Inventories	322 404	377 107
2. Short-term receivables	265 935	282 606
- including dividend receivables		
- including trade receivables in excess of one year	445	575
3. Short-term investments	55 925	51 113
3.1. Short-term financial assets	55 842	51 112
a) loans	23 500	23 500
b) cash and cash equivalents	32 342	27 612
3.2. Other short-term investments	83	1
4. Short-term prepayments	2 010	202
Total assets	**2 178 718**	**2 218 872**
Liabilities		
I. Shareholders' equity	**1 588 097**	**1 632 876**
1. Share capital	11 161	11 161
2. Reserve capital	104 184	104 184
3. Reserve capital from revaluation		
4. Other reserve capital	1 500 062	1 402 915
5. Retained earnings (losses)	-10 432	-10 432
6. Profit (loss) from previous years - due to the application of IFRS 16	-18 203	
7. Net profit (loss)	1 325	125 048
II. Liabilities and provisions for liabilities	**590 621**	**585 996**
1. Provisions for liabilities	**108 409**	**105 944**
1.1. Provision for deferred income tax	74 071	71 458
1.2. Other provisions	34 338	34 486
a) long-term	32 720	32 665
b) short-term	1 618	1 821

2. Long-term liabilities	**119 988**	**70 000**
2.1. Long-term credits and loans	65 000	70 000
2.2. Long-term liabilities - due to the application of IFRS 16	54 988	
3. Short-term liabilities	**355 803**	**404 095**
3.1. Short-term credits and loans	133 648	112 674
3.2. Current part of long-term credits and loans	20 000	20 000
3.3. Trade liabilities	145 058	243 046
- including trade receivables in excess of one year	2 075	1 979
3.4. Income tax liabilities		
3.5. Other short-term liabilities	57 097	28 375
4. Accruals	**6 421**	**5 957**
Total liabilities	**2 178 718**	**2 218 872**
Book value	1 588 097	1 632 876
Number of shares	5 580 267	5 580 267
Book value per share (PLN)	284,59	292,62

Profit and loss account for the period 01.01.2019-30.06.2019

PROFIT AND LOSS ACCOUNT for the period	thousand x PLN	
	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018
I. Net sales of products, goods and	**802 892**	**763 818**
1. Net sales of products	651 173	656 242
2. Net sales of goods and materials	151 719	107 576
II. Costs of products, goods and materials	**754 956**	**696 086**
1. Production cost of products sold	604 795	592 881
2. Value of goods and materials sold	150 161	103 205
III. Gross profit (loss) on sales	**47 936**	**67 732**
IV. Selling costs	22 756	16 875
V. General and administrative costs	20 773	19 848
VI. Profit (loss) on sales	**4 407**	**31 009**
VII. Other operating incomes	726	298
VIII. Other operating costs	3 589	3 231
IX. Operating profit (loss)	**1 544**	**28 076**
X. Financial incomes	8 094	5 995
XI. Financial costs	6 027	3 882
XII. Profit (loss) before taxation	**3 611**	**30 189**
XIII. Income tax	2 286	4 583
XIV. Net profit (loss)	**1 325**	**25 606**
Net profit (loss)	1 325	25 606
Weighted average number of ordinary shares	5 580 267	5 580 267
Profit (loss) per ordinary share (PLN)	0,24	4,59
Weighted average predicted number of ordinary		
Diluted profit (loss) per ordinary share (PLN)		

Total comprehensive income for the period 01.01.2019-30.06.2019

TOTAL COMPREHENSIVE INCOME for the period	thousand x PLN	
	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018
Net result	1 325	25 606
Total Comprehensive Income	**1 325**	**25 606**

Statement of changes in equity for the period 01.01.2019-30.06.2019

Statement of changes in equity for the period from 1st January to 30th June 2019 and 2018	thousand x PLN						
	Share capital	Supplementary capital	Revaluation reserve	Other reserve capital	Retained profits	Current year net profit	Equity TOTAL
Balance on this 01.01.2019 (opening balance)	**11 161**	**104 184**		**1 402 915**	**114 616**		**1 632 876**
Profit distribution				**97 147**	**-97 147**		**0**
Intercapital transfer							
Dividend					-27 901		**-27 901**
Profit (loss) from previous years - due to the application of IFRS 16					-18 203		**-18 203**
Total comprehensive income for period 1.01 - 30.06.2019						1 325	**1 325**
Balance on this 30.06.2019 (closing balance)	**11 161**	**104 184**		**1 500 062**	**-28 635**	**1 325**	**1 588 097**
Balance on this 01.01.2018 (opening balance)	**11 161**	**104 184**		**1 319 602**	**100 054**		**1 535 001**
Profit distribution				**83 314**	**-83 314**		**0**
Intercapital transfer							
Dividend					-16 740		**-16 740**
Total comprehensive income for period 1.01 - 30.06.2018						25 606	**25 606**
Balance on this 30.06.2018 (closing balance)	**11 161**	**104 184**		**1 402 916**	**0**	**25 606**	**1 543 867**

Cash flow account for the period 01.01.2019-30.06.2019

CASH FLOW ACCOUNT for the period	thousand x PLN	
	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018
Profit before taxation	**3 611**	
Tax paid		
A. Cash flow from operating activities – indirect method	**-1 566**	**-55 756**
I. Net profit (loss)		25 606
II. Total adjustments	-5 177	-81 362
1. Depreciation	25 740	23 715
2. (Profit) loss from exchange rate fluctuations		
3. Interest and profit share (dividends)	-1 762	-392
4. (Profit) loss on investment activities	416	20
5. Change in reserves	-148	4 421
6. Change in inventories	54 703	-87 847
7. Change in receivables	16 671	-76 466
8. Change in short-term liabilities except for loans and credits	-97 167	59 242
9. Change in accruals	-1 344	-4 055
10. Other adjustments	-2 286	
III. Net cash flow from operating activities	-1 566	-55 756
B. Cash flow from investment activities	**-3 862**	**-147 041**
I. Inflows	9 228	4 163
1. Sales of intangible and tangible fixed assets	29	1
2. Sales of real estate properties and intangible assets		
3. From financial assets, including:	9 199	4 662
- financial assets sold		
- dividends and profit share received	7 570	4 000
- repayments of long-term loans granted		
- interest received	129	162
- other inflows from financial assets	1 500	
4 . Other investment inflows		
II. Outflows	-13 090	-151 204
1. Purchase of intangible and tangible fixed assets	-13 090	-12 244
2. Real estate property and intangible assets		
3. To financial assets, including:		-138 960
- financial assets purchased		-138 960
- long-term loans granted		
4. Other investment outflows		
III. Net cash flow from investment activities	-3 862	-147 041
C. Cash flow from financial activities	**10 158**	**133 891**

I. Inflows	20 974	137 661
1. Net inflows from issue of shares, other capital instruments or capital receipts		
2. Credits and loans	20 974	137 352
3. Issue of debentures		
4. Other financial inflows		309
II. Outflows	-10 816	-3 770
1. Purchase of own shares		
2. Dividends and other dues paid to shareholders		
3. Outflows from profit distribution, other than dues paid to shareholders		
4. Credits and loans repaid	-5 000	
5. Redemption of debentures		
6. From other financial liabilities		
7. Contractual payments of financial lease dues	-2 069	
8. Interest paid	-3 747	-3 770
9. Other financial outflows		
III. Net cash flow from financial activities	10 158	133 891
D. Total net cash flow	**4 730**	**-68 906**
E. Balance sheet change in cash	**4 730**	**-68 906**
F. Cash (beginning of period)	**27 612**	**106 771**
G. Cash (end of period)	**32 342**	**37 865**
- those with limited disposal-VAT	1 584	

Explanations relating to cash flow statement:
Change in the status of liabilities:
- adjustment due to a dividend unpaid as of 30th June, 2019: PLN 27,901 thousand,
- liability adjustment due to the perpetual usufruct of land valuation according to MSSF 16: PLN 54,988 thousand,

Additional Information (Abridged Consolidated Financial Report for 1st half of 2019)

Introductory Information

The basic data

Apart from the Parent Company, the Stalprodukt S.A. Capital Group embraces 11 entities which constitute subsidiary companies. As of 30.06.2019, Stalprodukt S.A. held 100% shares In its subsidiary companies except for: Zakłady Górniczo - Hutnicze „Bolesław" S.A., where it holds 94.92% of shares.

As the group's parent company, Stalprodukt S.A., provides operating and development guidelines for the associated entities formed within the framework of the Company's restructuring and expansion of its production, trade and services and organization of its own sales network.

The basic objects of operation of the capital group companies are:

- production of electrical transformer sheets – parent company Stalprodukt S.A., GO Steel Frydek Mistek a.s.
- production of cold formed profiles, road safety barriers as well as cut-to-length cold- and hot-rolled sheets and strips – parent company Stalprodukt S.A.,
- non-ferrous metal ores mining and zinc and lead production – ZGH "Bolesław" S.A. along with its subsidiary companies:

- Zinc Smelter - Huta Cynku "Miasteczko Śląskie" S.A. – production of rectified zinc, lead and cadmium,
- Bol-Therm Sp. z o.o. – power supply-, laboratory-, mechanics and construction-related services, transport-equipmpent and forwarding services, production of dolomite aggregates, zinc products and zinc alloys,
- Gradir Montenegro d.o.o. – zinc ores mining and concentrate production,
- Agencja Ochrony Osób i Mienia "Karo" Sp. z o.o. – bodyguard and property security services,

- trade activities:

- Stalprodukt-Centrostal Kraków Sp. z o.o., managing trade offices in Gliwice, Włocławek, Wrocław, Szczecin and Radom,
- Stalprodukt - Zamość Sp. z o.o.,

- other production- and services-related activities:

- production of galvanized banding steel and wire, as well as steel strips - Cynk-Mal S.A.,
- production of cold-rolled sheets - GO Steel Frydek Mistek a.s.

- spare parts production and regeneration - Stalprodukt-Wamech Sp. z o.o.,
- installation, repair/renovation and maintenance of machines - Stalprodukt-Serwis Sp. z o.o.,
- structural steel production - STP Elbud Sp. z o.o., Stalprodukt-Wamech Sp. z o.o.,
- galvanizing services - STP Elbud Sp. z o.o. and Cynk-Mal S.A.,
- roads and freeways construction and management – Stalprodukt MB Sp. z o.o.
- bodyguard and property security - Stalprodukt Ochrona Sp. z o.o.,
- designing equipment related to the use of renewable energy sources – Anew Institute Sp. z o.o.

Changes in the Issuer's and Capital Group's Ownership Structure

In relation to the first six months of 2018, a comparable period for this consolidated financial statement, the following changes in the Issuer's Capital Group structure took place:

1. Within the dependency analysis of the Capital Group, there were premises related to gaining a substantial influence over Stalnet Ltd. (the number of owned shares did not change and the substantial influence was gained as a result of redeeming some of the shares owned by other shareholders). In connection with the above the entity was consolidated through the proprietorship method. In the previous reporting periods shares in the entities had been recorded as long-term investments.
2. On 9th March 2019 the Extraordinary General Meeting of the companies: Przedsiębiorstwo Robót Drogowych (Highways, Street and Bridge Construction Company) in Olkusz Joint-Stock Company (the acquired company) and 'Boltech' Ltd. (the acquiring company), acting according to Art. 506 cl.1 of the Commercial Companies Code, passed the merger act. The merger took place through an acquisition, without creating new shares or increasing the share capital of the acquiring company and without changing the acquiring company's Articles of the Association (merger through acquisition). The merger was recorded in the Business Register of the National Court Register, for the acquiring company in the District Court in Kraków - Śródmieście, Cracow, 12th Commercial Department of the National Court Register on 1st April, 2019 (day of the merger).

Additionally, after 30th June, 2019 the following changes to the Issuer's structure took or are taking place:

On 30th May 2019 the boards of the Issuer's three dependent companies, i.e. Stalprodukt-Wamech Ltd., Stalprodukt-Serwis Ltd. and Stalprodukt-MB Ltd. accepted their merger plan and subsequently informed about their intention to merge, providing all the legally-required documentation on their websites on 31st May 2019. The merger of the companies will take place according to art. 492 § 1 point 1) of the Commercial Companies Code, i.e. by transferring all the assets of the companies 'Stalprodukt-Serwis' Ltd. and Stalprodukt-MB Ltd. (the acquired companies) to 'Stalprodukt-Wamech' Ltd. (the acquiring company) for the shares that the acquiring company will hand over to the previous (the only) partner of the acquired companies, increasing simultaneously the share capital of the acquiring company.

Within the framework of the merger the share capital of the acquiring company Stalprodukt-Wamech Ltd. will be raised from the amount of 1,200,000 PLN (read: one million two hundred thousand zlotys) up to the amount of 4,270,000 PLN (read: four million two hundred and seventy thousand zlotys) by issuing 3,070 (read: three thou and seventy) new shares with the face value equal 1,000 PLN (read: one thousand zlotys) each and with the total face value equal 3,070,000 PLN (read: three million seventy thousand zlotys). These new shares shall be covered by the only company's partner, i.e. Stalprodukt Joint-Stock Company in Bochnia, in return for all its shares in the acquired companies.

The Issuer would also like to inform that the National Court Register recorded the merger of 'Stalprodukt-Serwis' Ltd. (on 18th July, 2019) and 'Stalprodukt-MB' (on 31st July, 2019) in the companies' registers. Registration of the above-mentioned companies' merger by the NCR in the acquiring company's register (Stalprodukt-Wamech Sp. z o.o.) should take place in the following days.

The objectives of the planned merger are as follows: streamlining the management of the Stalprodukt Capital Group through consolidation of the auxiliary companies in relation to the Issuer (mainly provision of the so-called after-sales services), optimising the companies' operations resulting from combining their technical, financial and human resource potential, decreasing their operational costs as well as gaining the effects of synergy.

There have been no further mergers, acquisitions or unit sales, long-term investments, division, restructuring or ceasing operations in the Issuer's Capital Group, with the exception of those listed in this report.

Subsidiary

No	Name (company) of the unit, indicating its legal form	Seat	Object of the enterprise	nature of the relation (subsidiary, interdependent unit, associate, with specification of direct and indirect relations)	the applied method of consolidation/ equity valuation method, or indication that the unit is not subject to consolidation/ equity valuation method	date of take- over of control/ joint control/ obtaining a significant impact	percentage of capital held	share of the total number of votes at a general meeting	share of the Parent Company
1.	Stalprodukt-MB sp. z o.o.	Bochnia	construction and maintenance of roads and highways	subsidiary	full consolidation	17.10.1997	100,00	100,00	100,00
2.	Stalprodukt-Wamech sp. z o.o.	Bochnia	production of spare parts and repair services	subsidiary	full consolidation	05.12.1997	100,00	100,00	100,00
3.	Stalprodukt-Centrostal sp. z o.o.	Kraków	trade of metallurgical products	subsidiary	full consolidation	29.12.1997	100,00	100,00	100,00
4.	Stalprodukt-Serwis sp. z o.o.	Bochnia	services of installation, repair and maintenance of machinery	subsidiary	full consolidation	29.12.1998	100,00	100,00	100,00
5.	Stalprodukt-Zamość sp. z o.o.	Zamość	woodwork production and trade of metallurgical products	subsidiary	full consolidation	09.12.1997	100,00	100,00	100,00
6.	Stalprodukt-Ochrona sp. z o.o.	Bochnia	protection of property and persons	subsidiary	full consolidation	06.10.2000	100,00	100,00	100,00
7.	STP Elbud sp. z o.o.	Kraków	manufacture of structures and galvanizing services	subsidiary	full consolidation	01.06.2005	100,00	100,00	100,00
8.	Cynk-Mal S.A.	Legnica	hoop iron production and lightning protection wire and galvanizing services	subsidiary	full consolidation	01.10.2008	100,00	100,00	100,00
9.	Anew Institute Sp. z o.o.	Kraków	designing sources of renewable energy	subsidiary	full consolidation	30.05.2012	100,00	100,00	100,00
10.	ZGH "Bolesław" SA	Bukowno	non-ferrous metals mining and zinc and lead production	subsidiary	full consolidation	31.12.2012	94.92	94.92	94.92
11.	GO Steel Frydek Mistek a.s.	Frydek Mistek	production of electrical transformer sheets and cold-rolled sheets	subsidiary	full consolidation	01.03.2018	100,00	100,00	100,00
12.	BOLTECH Sp. z o.o.	Bukowno	heat supplies, alterations/ repair services, production of zinc product dolomite aggregate zinc products, transport- & equipment- related	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	01.03.2004	100,00	100,00	94,92

			services.						
13.	Karo Sp. z o.o.	Bukowno	Investigative, detective and security-related activities	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	01.03.2004	100,00	100,00	94,92
14.	Huta Cynku Miasteczko Śląskie S.A.	Miasteczko Śląskie	production and sales of zinc, lead and alloys of these metals	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	29.09.2010	92,73	92,73	88,07
15.	Gradir Montenegro d.o.o. Niksic	Novaka Ramowa	zinc and lead mining and production of metal concentrates	ZGH "Bolesław" S.A. subsidiary company	full consolidation at the level of ZGH Capital Group	11.07.2011	100,00	100,00	94,55
16.	Polska Technika Zabezpieczeń Sp z.o.o.	Warszawa	distribution of construction woodwork	Stalprodukt Zamość Sp. z o.o. subsidiary company	full consolidation	31.12.2015	71,43	71,43	71,43
17.	F&R Finance Sp. z o.o.	Myślenice, Jawornik	financial activity	Bolesław Recycling Sp. z o.o. subsidiary company	consolidation with equity method at the level of ZGH Bolesław Capital Group	23.04.2014	19,68	19,68	19,68
18.	Stalprodukt-Profil S.A.	Bochnia	trade of metallurgical products	Stalprodukt S.A. subsidiary company	not applicable	not applicable	16,00	16,00	16,00
19.	StalNet Sp. z o.o.	Kraków	Internet commerce	Stalprodukt S.A. subsidiary company	not applicable	not applicable	28,00	28,00	28,00
20.	STP Investment S.A.	Bochnia	financial activity	personal	not applicable	not applicable	0,00	0,00	0,00

Fundamental Principles Governing the Preparation of the Abridged Interim Consolidated Financial Report

The presented Abridged Consolidated Financial Report was prepared in respect of the period from 1 January 2019 to 30 June 2019 with the use of the full consolidation method, considering all the Group's subsidiaries. The comparable data cover the period from 1 January 2018 to 30 June 2018 referring to the profit and loss account and the cash flow statement, the balance sheet values reflect the status as of 31 December 2018.

The Group's reporting year is equivalent to the calendar year.

This Abridged Consolidated Financial Report was prepared in line with the International Financial Reporting Standards approved by the European Union and, in particular, with the International Accounting Standard No 34 ”Interim Financial Reporting” and was based on the assumption that the Group will be continuing its activities in the predictable future. As of the Financial Report approval day, the Issuer's Management Board does not find any circumstances likely to threaten the continuation of activities pursued by the Capital Group.

The Abridged Consolidated Financial Report does not contain all the information and disclosures required in the consolidated financial report and the additional information sheet mainly contains the explanations of events and changes indispensable for the understanding of the changes in the Group's financial standing and its performance results to have occurred since the end of the previous reporting year.

The Additional Information sheet embraces selected data explaining the facts required by the IAS 34 and the Regulation of the Minister of Finance as of 29.03.2018 r. on current and periodic information to be disclosed by issuers of securities and conditions for recognizing as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws 2018, item 757).

If the Additional Information sheet does not contain a description of some events, required by the above mentioned regulations, this shall mean that such events have not occurred during the reporting period.

Accounting Principles (Policy)

1. In the semi-annual abridged consolidated financial report the accounting principles (policy) used, including the assets and liabilities, income and costs valuation methods as well as calculation methods adopted, were identical with the ones presented in detail in the Consolidated Report 2018.
   In the reporting period no important changes were introduced into the accounting principles (policy), nor any adjustments were made in respect of the fundamental errors and adopted appraised values which would have significantly affected the Group's property and liquidity standing and its financial result.
2. The changes introduced into the standards and interpretations issued by the International Financial Reporting Standards Council and International Financial Reporting Standards Interpretation Committee, applicable since 1 January 2019 or later, either do not apply to the Stalprodukt Group, or do not significantly affect the heretofore applied accounting policy and assessment of its asset position and financial standing. The numerous changes introduced into the existing accounting standards and interpretation changes, referring to the existing standards, have already been adopted by the International Financial Reporting Standards Council, but not approved by the EU yet and so the same shall take effect at later dates.

   The Management Board does not expect the introduction of the above standards and interpretations to significantly affect the accounting principles (policy) applied by the Group, its financial standing and financial result, but the same may still require further additional or amended disclosures to be included in the report. The above mentioned changes were precisely described in the Additional and Explanatory Information sheet appended to the published Consolidated Financial Report for 2018.
3. The information contained in the Consolidated Financial Report was compiled in compliance with the principles pertaining to the assets and liabilities valuation and net

financial result measurement, defined as of the balance sheet day, in compliance with IFRS adopted by the European Union and interpretations related thereto, announced in the form of the European Commission Regulations, with the principle of materiality observed.

4. Since January 2019 the Issuer has applied MSSF 16 to record and present the perpetual usufruct in the form of leasing. The effect of applying MSSF 16 was described in the consolidated and single report for 2018 and the individual elements of the report present the implemented changes. The Issuer applied the MSSF 16 standard retrospectively with the joint effect of standard application recorded on the first application day (simplified method). The Issuer did not transform the comparable data; instead they recorded the joint effect of the first application as a revision of the retained profit opening balance on the first application day. The asset value from perpetual usufruct equals PLN 124,641 thousand and was valued in the amount equal to the liability resulting from the fees for the use and the initial one. An annual fee for the perpetual usufruct equals PLN 4,542 thousand, including amortisation PLN 1,382 thousand and interest PLN 3,160 thousand. The estimated market value is substantially higher than the market value and the discounted annual fee until the end of the perpetual usufruct right period, due to its long duration period is very sensitive to the assumed interest rate level. The perpetual usufruct liability, defined by MSSF 16 as leasing was valued in the current amount of the remaining perpetual usufruct fees (leasing fees), discounted in the period of its use. A 5% rate was applied to the liability discount due to the annual perpetual fees. The rate consists of the 10-year bond interest rate as well as the risk bonus. The amount of the valued liability shall be recorded in the financial report, partly related to revaluation as of the day of changing to MSR to profit/loss from the previous years and in the remaining part - to the perpetual usufruct right.

MSSF 16 (in PLN thousands)	30th June, 2019
Intangible assets, including	124,640
Investment properties	7,852
Amortisation	691
Rental income	2,752

5. The following amendments were made in the dependent entity ZGH Bolesław Joint-Stock Company:
    - In connection with the electricity excise tax refund 2017 in the consolidated report, the result from the previous years was recorded in the amount of PLN 782 thousand.
    - Additionally, in connection with updating the use period of the fixed assets, the amortisation amount for the previous years was adjusted in the amount of PLN 4,352 thousand.
    - Furthermore, on 1st January, 2019 MSFF 16 Leasing was implemented and applied, an adjustment was made due to the right to land (perpetual usufruct) in the amount of – PLN 25,669 thousand.

Estimated values

- Provision for the deferred income tax was raised by the amount of PLN 11,599 thousand in connection with the settlement interim positive differences,
- Provision for doubtful debts was created in the amount for PLN 169 thousand and dissolved in the amount of PLN 945 thousand,
- Provision was created for employee benefits in the amount of PLN 12,013 thousand and employee benefit reserves were dissolved in the amount of PLN 14,227 thousand,
- Provision was created for landfill site reclaim in the amount of PLN 55 thousand,
- Provision was created for electricity origin certificates and C02 emission allowances in the amount of PLN 16,284 thousand and dissolved in the amount of PLN 27,913 thousand,
- refurbishment provision was generated in the amount of PLN 724 thousand and dissolved in the amount of PLN 291 thousand,
- sewage disposal fee provision was created in the amount of PLN 700 thousand and dissolved PLN 1,236 thousand,
- bonus provision was dissolved in the amount of PLN 204 thousand,
- mine liquidation provision was dissolved in the amount of PLN 910 thousand,
- finished product transcription was created in the amount of PLN 1,716 thousand.

Business Segments

The segment-based reporting was based on IFRS 8 ”Operating Segments”. The rules governing the Stalprodukt Capital Group's division into operating segments and accounting principles applied in this kind of reporting were described in detail in the last published Consolidated Financial Report for 2018.

Income presented in the operational segment breakdown takes into account earnings only from external clients. Between 3 operational segments (electrical sheet segment, profile segment and zinc) there are no transactions. Within the accounting policy (principles) the ‘remaining activity’ position was identified so that the results of the Capital Group could be balanced. The ‘remaining activity’ covers assembly, after-sales, security, galvanising services etc. These services are provided by the Companies from the Capital Group for external clients and for the needs of individual segments, which, in the Issuer’s assessment, does not constitute transactions between the operational segments. Simultaneously, taking into account the consolidation principles, sales income within the ‘remaining activity’, generated for the operational segments, was excluded from the consolidation as it was obtained within the Capital Group.

Information on Operating Segments for 1st half of 2019 (PLN Thousand)

Itemization	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	Total Consolidated Value
Segment Revenues	464 970	358 040	972 311	154 431	1 949 752
Domestic	35 945	259 628	577 937	126 468	999 978
Export	429 025	98 412	394 374	27 963	949 774
Segment Costs	417 127	359 792	818 178	146 861	1 741 958
Segment Result	**47 843**	**-1 752**	**154 133**	**7 570**	**207 794**
Other Operating and Financial Revenues Non-Attributable to the Segment					26 059
Other General, Operating and Financial Costs Non-Attributable to the Segment					108 856
Gross Profit					**124 997**
Income Tax **Net Profit**					28 877 **96 120**
Segment Assets	991 879	736 959	2 232 791	407 189	4 368 818
Assets Non-Attributable to the Segment					27 842
Total Assets					4 396 660
Liabilities	352 754	286 503	737 162	132 586	1 509 005
Contingent Liabilities					296 115
Total Liabilities					1 805 120
Investment Outlays	3 268	716	57 131	12125	73 240
Depreciation	19 198	8 752	43 740	9 446	81 136

Information on Operating Segments for 1st half of 2018 (PLN Thousand)

Itemization	Electrical Sheets Segment	Profiles Segment	Zinc Segment	Other Activities	Total Consolidated Value
Segment Revenues	386 758	383 983	1 021 485	178 052	1 970 278
Domestic	15 994	282 856	596 284	141 066	1 036 200
Export	370 764	101 127	425 201	36 986	934 078
Segment Costs	329 689	380 641	824 284	164 419	1 699 033
Segment Result	**57 069**	**3 342**	**197 201**	**13 633**	**271 245**
Other Operating and Financial Revenues Non-Attributable to the Segment					48 652
Other General, Operating and Financial Costs Non-Attributable to the Segment					104 910
Gross Profit					**214 987**
Income Tax					36 553
Net Profit					**178 434**
Segment Assets	998 961	856 810	2 184 338	338 520	4 378 629
Assets Non-Attributable to the Segment					26 709
Total Assets					4 405 338
Liabilities	352 289	370 449	749 613	111 551	1 583 902
Contingent Liabilities					296 115
Total Liabilities					1 880 017
Investment Outlays	3 062	1 522	69 850	15 244	89 678
Depreciation	15 755	8 435	39 160	8 065	71 415

Assessment of obtained results and financial situation

In the 1st half of 2019, compared to the analogical period of 2018, the Stalprodukt S.A. Capital Group recorded an decrease of sales by PLN 20 526 thousand, i.e. by 1.0 %. At the profit-on-sales level PLN 132 178 thousand was achieved, which accounts for a 33,0%. decrease. Whereas at the operating profit level a increase by PLN 132 444 thousand. In the 1st half of 2019, the net profit amounted to PLN 96 120 thousand compared to PLN 178 4341 thousand generated in the 1st half of 2018.

The Electrical Sheets Segment recorded the increase of transformer sheet sales volumes by 13,6 % compared to the 1st half of 2018, with the accompanying increase of the Segment's sales by 20,2 %. The sales volume increase was largely caused by consolidating the activities of the GO Steel Frydek Mistek company in the Segment, with a reservation that the presented data are only related to 4 months. Despite the fact that in the first six months of 2019 the prices remained on the level close to the previous periods, the profit margins achieved by the segment fell. The main contributing factor were higher direct and indirect production costs, in particular those of electricity and personal costs. The price pressure is still being exerted by the clients in the segment.

The company is continuously aiming to increase its production and sales quantities of its HiB type sheet, owing to which in the first six months of 2019 twice as many sheets of this type were sold as in the same period of the previous year.

Furthermore, on 6th May 2019 ArcelorMittal Poland Joint-Stock Company, the provider of input materials for the Company, announced its intention to temporarily exclude the raw material section of the company's Cracow branch. On 8th May 2019 the Company publicised an announcement, being the Board's commentary to this decision (current report no. 5/2019). The Board explained that the contracts of input material supply for the Company, signed with ArcelorMittal Flat Carbon Europe, guarantee continuity and indispensable supply quantities. This is particularly important in case of the Electrical Sheet Segment which has limited access to materials available on the market. Declarations of supply provision for the Electrical Sheet Segment (including also those for HiB type sheet production) were confirmed during a meeting with a high-ranking representative of ArcelorMittal Flat Carbon Europe on 7th May 2019 as well. Therefore, other European factories in the ArcelorMittal Group were going to be involved.

Nevertheless, on 25th July 2019 the Board of ArcerMittal Poland Joint-Stock Company decided to postpone a temporary cessation of the blast furnace and steel plant operations in Cracow, which had originally been planned for September. The Board wished to 'assess the whole situation again'. Simultaneously, the company highlighted again in its official announcement that the cessation of raw material section operations was supposed to be a temporary solution.

The Profiles segment recorded a 8.4 % decrease in sales compared to the first half of 2017. At the same time, the sales achieved in the Segment were lower by PLN 25 943 thousand, i.e. by 6.75 %. The negative constant of the relation between the input price and those of finished products, in particular a persistent significant level of import had a negative influence on the segment's result. The segment recorded a loss. The Issuer highlights significant variability of the market, linked to various overlapping, frequently contradictory factors, factories' pricing policies as well as planned or continued investments in infrastructure within the framework of the present financial perspective. Simultaneously, the Issuer would like to stress that earlier expectations concerning a systemic solution to dumping import which might have a positive impact on the company's situation and steel products have not been fully met, due to, among other things, (relatively) high contingent prices. Excessive import of steel products (including, among other things, pipes and profiles produced by Stalprodukt) to the European Union's market has a significant influence on the competitive position of the EU producers. Therefore, all initiatives aimed at efficient reduction of steel product import and protection of local producers' interests are very welcome.

In July 2018 the Company changed the distribution principles of the Profile Segment (in particular of cold-bent profiles and service centre products) on the Polish market. Trading posts, managed until then by the dependent entity, i.e. Stalprodukt-Centrostal Kraków Ltd. were acquired by Stalprodukt Joint-Stock Company, along with their employees. Simultaneously, an agency agreement specifying new principles of cooperation was signed with Stalprodukt-Centrostal Kraków Ltd. The Issuer's Board believes that this change should lead to lower operational costs of distribution networks – both through a decrease in the level of provisions in commercial warehouses and a change to the agent's remuneration method.

In the 1st half of 2019, the Zinc Segment's net sales amounted to PLN 972 million and decreased by 4,8 % in relation to the comparable period in the previous year when the sales amounted to PLN 1 021 million. The value of sales income is affected by LME metal prices, the American dollar exchange rate as well as by the product sale quantities. A decrease in the Zinc Segment turnover in the first six months of 2019, in relation to the comparable period in the previous year was caused by a significant decline in the stock exchange prices of zinc (by 16%), lead (by 20%) and silver (8%). A higher exchange rate of the American dollar (by 9%) partly offset the dynamics of this fall.

The prices for the basic metals bought by ZGH "Bolesław" S.A. were as follows:

1st half of 2019
Average LME zinc price 2 732 USD/t.
Average LME lead price 1962 USD/t.
Average LBM silver price 15.2 USD/oz.
USD exchange rate: PLN 3.8002

1st half of 2018
Average LME zinc price 3 268 USD/t.
Average LME lead price 2 456 USD/t.
Average LME silver price 16.7 USD/oz.
USD exchange rate: PLN 3.4872

The LME zinc basic reference price converted to PLN decreased by 9 % from PLN 11,388 in the 1st half of 2018 to PLN 10 377 in the analyzed period.

The LME lead basic reference price converted to PLN decreased by 13 % from PLN 8,564 in the 1st half of 2018 to PLN 7,458 in the analyzed period.

The LBM silver basic reference price converted to PLN decreased by 0,3 % from PLN 58.1 in the 1st half of 2018 to PLN 57.9 per ounce in the analyzed period.

The first six months of the current year saw a 4.6% decrease in sales as compared to the first six months of 2018. Over 84% of the Zinc Segment turnover rely on zinc prices. There was a 39% increase in the sales quantities of lead and lead concentrates. Only approximately 5% of the Zinc Segment turnover relies on lead price. The quantity of silver sales in the first six months of 2019 was lower than that in the first six months of 2018. Approximately 2% of the Zinc Segment rely on the silver price.

In the first six months of the current year the profit margin of the Segment equalled 15.8% and was lower than that for the first six months in 2018 (19.3 %). The profit margin decrease in the current period is mainly caused by a significant fall in the stock exchange metal prices, lower quantities of zinc and silver sales. Simultaneously, the decrease in the sales profit margin was partly offset by: an increase in sales quantities of galena concentrates and refined lead as well as hedging transactions and the American dollar exchange rate.

Financial instruments and risk management assessment

Characteristics of financial instruments and rules for their valuation

Under IFRS 9 a Financial Instrument is any contract that gives rise to a financial asset in one entity and a financial liability or an equity instrument in another. Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised from the accounting books when the rights to receive cash flows from financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

The main financial instruments used by the Group include bank credits and short-term deposits, as well as derivative instruments recognized in accordance with the hedging policy. The main purpose of these instruments is to raise funds for business activities and to hedge cash flows. The companies also have other financial instruments, such as cash, trade payables that arise directly in the course of their operations and long-term loans. In addition, the Companies hold shares in other entities, which constitute long-term investments.

Financial instruments at the time of entry into accounting books are measured at a cost (purchase price), which is the fair value of the payment made. Transaction costs directly attributable to the transaction are recognized at the initial cost of the financial instruments.

After initial recognition at fair value, financial instruments are classified into one out of three categories and measured as follows:

1) financial instruments measured at amortised cost,
2) financial instruments measured at fair value, and revaluation gains/losses are recognized in profit or loss.
3) financial instruments valued at the fair value through financial result.

Re 1) Financial instruments measured at amortised cost using the effective interest rate method to calculate interest. These instruments are held to maturity and include investments with fixed or determinable payments and fixed maturity that the company intends and has the ability to hold to maturity (receivables, loans). Impairment losses are recognised in accordance with the accounting policy and presented in a note to the financial statements.

Trade credit risk is mitigated by actions related to the selection of counterparties with good creditworthiness, setting credit limits for them, payment hedging policy and their on going monitoring in accordance with the applicable procedures. Therefore, the exposure of the Capital Group companies to the risk of bad debts is insignificant. Credit risk should be properly assessed by making appropriate bad debt provisions in the books.

The Company and entities from the capital group classify customers into risk groups on the basis of the adopted classification, based on the adopted methods of division into risk groups. Groups determine the level of risk from low (group 10) to the highest (group 0). Write-offs on items measured at amortised cost are determined on the basis of historical data according to the division into groups, grouped probability of credit risk and past customer behaviour.

Re 2) Financial instruments measured at fair value, and revaluation gains/losses are recognized in profit or loss. The method of valuation is applied in the case of financial assets whose cash flows constitute only payments from capital and interest, are maintained in order to collect contractual cash flows and for the purpose of sale, and which are measured at fair value. Interest income on such financial assets is calculated using the effective interest rate method. Impairment losses are recognised in accordance with the adopted accounting principles.

Re 3) Financial assets valued at the fair value by financial result. Assets that do not meet the criteria to be measured at amortised cost (item 1) and at fair value by other income (item 2) are measured by profit or loss. Gains or losses on fair value measurement of investments are recognized in profit or loss. These include trade receivables subject to factoring for liquidity management purposes when the terms of a factoring contract result in the discontinuation of the recognition of receivables or loans that do not meet the SPPI test.

A financial instrument is derecognised from the balance sheet when the entity loses control over the contractual rights constituting the financial instrument; this is usually the case when the instrument is sold or when all cash flows attributable to the instrument are transferred to an independent third party.

As at each balance sheet date, the Company assesses whether there are objective premises for impairment of a given component of financial assets or a group of financial assets. Such indications include, but are not limited to, serious financial difficulties of the debtor, the disappearance of an active market for a given financial instrument, adverse changes in the economic, legal and market environment of the issuer of a financial instrument, and persistence of a significant decline in the fair value of the instrument. When such evidence exists, the impairment loss should be estimated and an impairment loss should be recognized.

Derivative financial instruments are initially recognized in the books at cost and then measured at fair value. Changes in the fair value of derivative financial instruments are recognized immediately in the statement of total income, as the Parent Company does not use instruments that would qualify as hedge accounting. The Group companies, on the other hand, due to the specific nature and nature of their business model use hedge accounting.

The financial instruments used by the Parent Company are forward currency contracts related to sales and purchase contracts. The Company also occasionally uses forward currency contracts and currency options to protect against currency risk. Fair value of derivatives traded on regulated markets and securities available for sale is determined on the basis of quoted market prices as at the balance sheet date.

In order to estimate the fair value of derivatives whose prices are not quoted on regulated markets and other financial instruments, the Companies apply various methods and assumptions based on market conditions prevailing at each balance sheet date. Normally, market quotes or dealers' quotes are used for specific or similar instruments. Other techniques, such as option pricing models or the discounted value of future estimated cash flows, are used to determine the fair value of other instruments.

The main types of risk arising from financial instruments are interest rate risk, liquidity risk, credit risk and currency risk.

As regards foreign currency receivables and liabilities, the Parent Company uses hedging against natural currency risk, as sales in particular currencies are offset by purchases, any open position (short or long) closes within two to three weeks and its value is insignificant in relation to total turnover. Given the stable financial situation and the predominance of financing with own funds and trade liabilities, the liquidity risk is low. The Company's objective is to maintain a balance between continuity and flexibility of financing by the selection and use of various sources of financing.

The purpose and policy of risk management and measurement methods.

The Group's Companies are exposed to various types of financial risks - including changes in market prices of debt and equity instruments, fluctuations of currencies and interest rates. The overall financial risk management program of the Issuer focuses on the unpredictability of financial markets and seeks to minimize the potential negative effects on the Company's financial results. The Department of Financial and Risk Management, supervised by the Finance Director, manages the risk in the Parent Company. The main objective is to minimize the negative effects of external changes on the results obtained by the Company. Depending on the type and size of risk, the Company complies with the appropriate instruments for the diagnosis, assessment and hedging.

The main assumption of the ZGH "Bolesław" S.A. strategy with respect to hedging is to reduce the sensitivity of revenues to a decrease in the price of zinc, lead and silver and the USD exchange rate. The smaller the level of security for the Company's exposure, the more sensitive it is to price drops. The lack of hedge results in full discovery of the change in the exchange price of zinc, lead, silver and the exchange rate of the dollar, and in the event of a drop in the price to the level below the break-even point, significant losses, difficult to cover from any funds, especially in the period of longer maintenance of the low price level.

The strategy of ZGH "Bolesław" S.A. is based on the use of financial instruments offered by banks and allowing to hedge prices on the commodity market and exchange rate on the currency market. ZGH "Bolesław" S.A. uses hedging consisting in the transfer of risk through the use of short hedge method, which provides protection against the drop of metal prices and USD exchange rate. The derivatives used differ according to the type of market risk being hedged.

The main risks associated with the operations of the Capital Group companies are as follows:

a) credit and contractual risk,

b) liquidity risk,

c) market risk, including:
- interest rate risk,
- currency risk.

Credit and contractual risk

The credit risk in the Company is limited by the current examination of the creditworthiness of the counterparties, by accepting appropriate collaterals (bank guarantees, letters of credit, bills of exchange, sureties) and by constant monitoring of overdue receivables. For the purpose of ongoing control, the sales and finance departments are required to apply the rules set forth in the credit and debt recovery procedures. These procedures determine the selection of counterparties, setting credit limits and the procedure in case of overdue receivables.

In order to perform a classification test for the purposes of IFRS 9, to determine the ratio of non-performance of liabilities and forecast the amount of the allowance for receivables, an analysis of turnover with customers was carried out in the period from January to December 2018. The Company conducts a credit risk management policy based on the Credit Procedure, which defines the rules for granting credit limits. In the process of risk identification, customers are assigned to a specific group determining its level, and if the level is too low to accept the limit applied for, negotiations are undertaken in order to obtain hedge.

In accordance with the adopted criteria for classifying customers into risk groups, based on the financial standing, the analysed ratios are assigned (in accordance with the matrix) points. The sum of points determines the customer's qualification to one of the ten risk groups as in the table below:

Risk group	Subgroup	The sum of points from ... to		Rating for customers in the zinc segment	Risk level
I	10	60	58	AAA	none
	9	57	54	AA	low
	8	53	51	A	low
	7	50	48	BBB	low
II	6	47	45	BB	average
	5	44	40	BB	average
	4	39	35	B	average
III	3	34	30	CCC	average
	2	29	20	CC	significant
	1	19	14	C	significant
	0	13	0	D	insolvency

Group's share in balances of receivables from operating segments as at 30.06.2019					
Segment	**Group I**	**Group II**	**Group III**	**Others**	**Total**
Electrotechnical sheets	62%	27%	12%	0%	100%
Profiles	45%	24%	26%	4%	100%
Zinc	100%	0%	0%	0%	100%

Group's share in sales revenues of operating segments in the 1st half of 2019					
Segment	**Group I**	**Group II**	**Group III**	**Others**	**Total**
Electrotechnical sheets	64%	25%	123%	0%	100%
Profiles	56%	24%	16%	5%	100%
Zinc	100%	0%	0%	0%	100%

Due to the consistent credit risk management policy, the predominant share in the balance of receivables and sales of low risk groups I and II, maintaining a high level of security for the granted limits and the lack of significant write-downs in previous periods, the amount of the write-down calculated on the basis of the calculated ratio of non-performance of liabilities is insignificant in relation to the scale of the Company's business. The amount exposed to risk is equal to the balance sheet value of short-term receivables increased by the issued guarantees and sureties, fair value of derivative instruments transactions and adjusted by accepted hedges, as well as receivables from related companies. This amount amounts to PLN 603 293 thousand. It should be noted that the average value of the overdue receivables ratio for the parent company (excluding subsidiaries) for 6 months 2019 (calculated as the ratio of overdue receivables to the total balance of trade receivables) for the Company amounts to 15.0%.

THE HEDGINGS ADOPTED			**thousand x USD/EUR/PLN**					
			30.06.2019			**30.06.2018**		
No.	**Hedging type**	**Risk type**	**Amount**	**Currency**	**PLN**	**Amount**	**Currency**	**PLN**
1	Bank guarantees and letters of credit	credit /contractual	341	PLN	**341**	615	PLN	**615**
2	Bank guarantees and letters of credit	credit /contractual	3 300	EUR	**14 0,2**	3 024	EUR	**13 189**
3	Bank guarantees and letters of credit	credit/contractual	7 624	USD	**28 463**	7 610	USD	**28 492**
4	Sureties	credit/contractual	0	PLN	**0**	899	PLN	**899**
5	Sureties	credit/contractual	15 830	EUR	**67 309**	14 700	EUR	**64 116**
6	Sureties	credit/contractual	0	USD	**0**	0	USD	**0**
7	Pledges and mortgages	credit/contractual	10 408	PLN	**10 408**		PLN	**0**
8	Pledges and mortgages	credit/contractual	500	EUR	**2 126**	0	EUR	**0**
	Total value of securities in PLN				**122 679**			**107 311**

It should be stated that the majority of recipients of Capital Group companies are clients with whom there has been a continuous cooperation for many years. At present, the companies do not have any restructured receivables, i.e. receivables towards the customers with whom it has

agreed to postpone payment. Taking into consideration the above, the credit quality of the trading book should be described as good.
Contractual risk arises when a contract for the sale of goods under specified delivery conditions is concluded with the customer, which results in a liability on the part of the supplier towards the counterparty to release a given batch of goods, but, at the same time, to fulfil this liability the supplier must commence the production before full payment is made. The resulting situation is followed by the risk being borne by the supplier that the finished goods will not be collected by the counterparty.

The contractual risk occurs in the Companies generally only in the case of accepting orders for non-standard products and is assessed by the person accepting the order. It is limited by accepting appropriate securities, either by accepting partial or full prepayment for the ordered goods, before commencing production.

Liquidity risk

Liquidity risk management refers to the control over financial flows and securing external funding opportunities, in particular: receivables collection and security in the form of credit lines.
In the current financial standing of the Parent Company, with a clear advantage of financing with own funds, liquidity risk is minimized at wide range. However, keeping in mind the substantial capital expenditures, with the aim of protection, the Parent Company maintains granted limits on working capital loans, based on agreements reached with cooperating banks. All credit lines which were described in a detailed fashion in the last consolidated financial report for 2018 are active and are extended by banks within relevant time limits.

Market Risk

Exchange Rates Risk

The exchange rate risk can be defined as the unfavourable impact of exchange rates on the Group's results. The following balance sheet positions are exposed to this kind of risk: granted loans, cash deposits and interest-bearing external financing sources.
The decrease of interest rates will result in the decrease of revenue from the interest on the granted loans and free cash flow. This will be accompanied by the reduction of costs related to external financing. The increase of interest rates will stimulate the increase of proceeds from the granted loans and free cash flow. This will be accompanied by the increase of costs related to external financing.
Both the loans, cash and the investment credit are based on variable interest rate (WIBOR, WIBID).

Currency Risk

EUR is the main currency used both in the exports and intra-community transactions. Considering the risk from EUR/PLN currency fluctuations, the Parent Company uses natural hedging as its sales from individual periods are balanced by the purchases expressed or denominated in EUR. Additionally, the currency position is being constantly monitored.

It happens that during a 2-3-week period it is open (short or long), however, its value is insignificant in relation to the turnover.

USD is another currency in which settlements are made. The currency position is being constantly monitored.

The nature of the activities pursued by the subsidiary company - ZGH "Bolesław" S.A. (production and USD sales of LME-quoted zinc and lead) forces the Company to pursue an active hedging policy against the currency-related risk. The Company secures its position, constantly monitoring the changes in raw material prices and currency exchange rates. Hedging itself against the currency exchange rate risk, the subsidiary company applies: forward transactions, average-rate forward transactions, options or option strategies (interrelations were shown for the period from January 2019 to May 2021).

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
Active currency hedging instruments as of 30.06.2019 r.			PLN thousand		
Cash Flow Hedging	forward	$152 867 324,00	-15 260	-15 260	risk from USD/PLN exchange rates
Cash Flow Hedging	forward	€1 800 000,00	442	442	risk from EUR/PLN exchange rates
Cash Flow Hedging	option strategies (collar)		0	0	risk from USD/PLN exchange rates
Cash Flow Hedging	option strategies (collar)				risk from EUR/PLN exchange rates

Risk from Changing Raw Material Prices

In the Stalprodukt S.A. Capital Group the subsidiary ZGH „Bolesław" S.A. pursues an active commodity (Zn and Pb) risk management policy, using various derivative instruments. For metal prices risk management the following transactions are concluded: swap transactions (fixed to float, float to float), options or option strategies, forward contracts (interrelations were shown for the period from January 2019 to May 2021).

Hedging Type	Description of Hedging Instrument	Nominal Amount	Fair Value of the Hedging Instrument as of the Balance Sheet Day	Effective Portion Taken to Capital Revaluation Reserve	Nature of the Risk Type Hedged Against
Active commodity hedging instruments as of 30.06.2019 (zinc)			PLN thousand		
Cash Flow Hedging	swap	60 100	64 940	64 949	Price Change Risk Zn LME in PLN
Cash Flow Hedging	swap in USD	0	0	0	Price Change Risk Zn LME in USD
Cash Flow Hedging	option strategies (collar)	10 500	5 258	4 384	Price Change Risk Zn LME
Cash Flow Hedging	put	5 250	6 996	4 384	Price Change Risk Zn LME
Cash Flow Hedging	call	5 250	-1 738	0	Price Change Risk Zn LME
Active commodity hedging instruments as of 31.12.2019 (lead)			PLN thousand		
Cash Flow Hedging	swap	1 950	3 399	3 399	Price Change Risk Pb LME in PLN

Cash Flow Hedging	swap in USD	0	0	0	Price Change Risk Pb LME in USD
Cash Flow Hedging	option strategies (collar)	1 200	1 051	1 048	Price Change Risk Pb LME
Cash Flow Hedging	put	600	1 052	1 048	Price Change Risk Pb LME
Cash Flow Hedging	call	600	-1	0	Price Change Risk Pb LME
Active commodity hedging instruments as of 31.12.2017 (silver)			**PLN thousand**		
Cash Flow Hedging	swap	0	0	0	Price Change Risk Ag LMBA

ZGH "Bolesław" S.A. and its Subsidiaries' Exposure to Market Risks

The GK Bolesław's exposure to market risks in 2019 is as follows:

- Zinc - approx. 94 300 tons
- Lead - approx. 14 200 tons
- Silver - approx. 461 000 Ozs
- Currency - approx. USD 309 000 000

The currency risk exposure is very strictly dependent on the metal price levels (primary exposure) and may undergo fluctuations in the case they change. Apart from the metal price levels, the currency risk exposure also includes the sales bonuses achieved in zinc and lead alloy transactions.

Currency exposure is closely connected with the price levels of metals (original exposure) and may be subject to fluctuations in case of their changes. Apart from the metal prices, currency exposure contains premiums achieved on the market when selling zinc, zinc alloys, and led. The above mentioned exposures are based on budget estimations for 2019, i.e. $2500 LME Zn, $2000 LME Pb, $14/ozs LBM.

Security accounting,

The Parent Company does not keep security accounting. The balance sheet values of particular financial instruments should be considered fair because their valuation carried out by amortized cost (amortized purchase price), using the effective valuation method, showed insignificant differences.

Whereas considering the nature of the pursued activities, the subsidiary company ZGH "Bolesław" S.A. applies hedge accounting based on the internal procedures prepared in compliance with the International Accounting Standards. The risk management policy is based on the decisions issued by the Risk Committee. The details are defined in the ZGH "Bolesław" S.A.'s Hedging Policy, approved by the Management Board with the Resolution 2/2011 dated 14 January 2011. In order to hedge itself against metal price fluctuations, the Company concludes swap transactions, options or option strategies and forward contracts. The market risk management details are clearly defined in the risk management procedure. The Financial Division is divided into two main blocks, i.e. the Front Office with its executive unit– Risk Management Department, supervising officer – Financial Director and the Back Office with its executive unit – Hedge Accounting Department with Chief Accountant as a supervising officer.

Explanations Referring to Balance Sheet Items Related to Derivative Instruments

Explanation Referring to the Item: Other long- and Short-Term Investments	PLN thousand	
	30.06.2019	30.06.2018
Long-Term investments	35 559	30 245
Short-Term Investments	108 252	27 692
TOTAL, including:	**143 811**	**57 937**
a) valuation of derivative transactions	89 402	57 937
b) securities	54 409	43 266

Explanation to Item: Liabilities pertaining to hedging instruments	PLN thousand	
	30.06.2019	30.06.2018
Contracts for Hedging Transactions	8 293	40 786
Conclusions of Currency Option Transactions	15 897	98 372
Adjustment pertaining to the amount resulting from the closed transactions settlements with brokers	616	-8 502
TOTAL	**24 806**	**130 656**

Valuation of Derivative Transactions	PLN thousand			
	30.06.2019		30.06.2018	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Commodity Transactions - Zinc	76 776	3 419	35 707	94 746
Commodity Transactions - Lead	4 451	1	967	6 131
Currency Transactions - USD/PLN EUR/PLN	8 175	21 387	21 263	29 778
Commodity Transactions- Silver	0	0	0	0
Total	**89 402**	**24 807**	**57 937**	**130 655**

Division of Hedging Instruments	PLN thousand			
	30.06.2019		30.06.2018	
	Financial Assets	Financial Liabilities (Payables)	Financial Assets	Financial Liabilities (Payables)
Hedging Instruments	**84 214**	**24 375**	**51 517**	**120 815**
Commodity Transactions - zinc	*73 374*	*3 167*	*29 345*	*92 725*
Commodity Transactions - lead	*4 451*	*1*	*966*	*6 131*
Currency Transactions - USD/PLN, EUR/PLN	*6 389*	*21 207*	*21 206*	*21 959*
Commodity Transactions - Silver	*0*	*0*	*0*	*0*
Trade Instruments	**5 188**	**431**	**6 420**	**9 841**
Commodity Transactions- zinc	*3 402*	*252*	*6 362*	*2 022*
Commodity Transactions - lead	*0*	*0*	*0*	*0*
Currency Transactions - USD/PLN, EUR/PLN	*1 786*	*179*	*58*	*7 819*
Commodity Transactions - silver	*0*	*0*	*0*	*0*
Total	**89 402**	**24 806**	**57 937**	**130 656**

Derivative Transactions Presented in the Profit and Loss Account:	PLN thousand	
	30.06.2019	30.06.2018
Sales of Products Adjustment	-8 704	-66 005
Sales of Goods Adjustments	0	0
Revaluation of Investments	2 577	-4 985
Gains/Loss on Sale of Investments	-2 224	-2 117
Total	**-8 351**	**-73 107**

Cash Result from Reconciliation of Derivative Instruments:	PLN thousand	
	30.06.2019	30.06.2018
Commodity Transactions	-10 899	-94 194
Currency Transactions	-1 268	20 602
Total	**-12 167**	**-73 592**

Sales of Products Adjustment Related to Application of Hedging Instruments:	PLN thousand	
	30.06.2019	30.06.2018
Sales Increase	7 845	28 542
Sales Decrease	-16 548	-94 547
TOTAL	**-8 703**	**-66 005**

Status of Capital from Revaluation Related to Application of Hedge Accounting (excluding Deferred Tax)	PLN thousand	
	30.06.2019	30.06.2018
Valuation of Open Hedging Instruments:	**58 961**	**-67 916**
- Zn	70 380	-61 664
- Pb	3 399	-5 499
- USD/PLN	-15 260	-1 554
- Ag	0	0
- EUR/PLN	442	801
Result from the Application of Hedging Instruments Capital-Retained until the Realization of the Hedged Item:	**47**	**-1 361**
- Zn	47	-1 361
- Pb	0	0
- USD/PLN		0
TOTAL	**59 008**	**-69 277**

Other Information

1. In the 1st half of 2019, the Capital Group did not experience any seasonality consequences. During the reporting period no other positions were recorded, significantly affecting the assets, liabilities, equity, net profit or cash flow, which would be untypical in terms of their kind, volume/size or frequency.

2. As of the balance sheet day, the Stalprodukt S.A. Capital Group holds the below mentioned off-balance-sheet contingent liabilities:

- guarantee of good workmanship concerning the production and assembly of road barriers totaling PLN 20 541 thousand, and guarantee in respect of the blank bill of exchange amounting to PLN 13 000 thousand issued by STP Elbud Sp. z o.o. in order to secure the investment credit granted by Bank Pekao S.A.
- guarantees and sureties (avals) granted by ZGH "Bolesław" amounting to PLN 1 057,5 thousand,
- ZGH "Bolesław" S.A. issued a bill of exchange in connection with the agreement concluded with the National Center for Research and Development, amounting to PLN 38.8 million (wash tubs hall investment project) for subsidizing the project within the Intelligent Development operating program (Number of Agreement POIR.01.01.02-00-0159/16-00),
- no bank collaterals, which were disclosed in the 2018 report, were subject to change in respect of the banks financing the credit agreements.

3. The pending bankruptcy and composition proceedings cover the Group's receivables totalling PLN 3 995 thousand, wherein Stalprodukt's share amounts to PLN 743 thousand and ZGH "Bolesław"'s - PLN 3 252 thousand.
   During the reporting period, no other essential proceedings were instituted or pending before the courts or government agencies, concerning any liabilities or receivables, which might exert a significant influence on the Group's future results and its financial standing.

4. As of the Report submission day, the shareholders holding at least 5% of the total number of votes at the General Meeting of Shareholders are:
   - STP Investment S.A. holding 1 829 319 shares, accounting for a 32.78 %-share in capital and 5 875 691 votes, accounting for 48.17 % of the total number of votes at the General Meeting of Shareholders,
   - Stalprodukt Profil S.A. holding 579 652 shares, accounting for 10.39 %-share in capital and 1 095 488 votes, accounting for 8.98 % of the total number of votes at the General Meeting of Shareholders.
   - ArcelorMittal Sourcing a société en commandite par actions holding 1 066 100 shares, accounting for a 19.10 %-share in capital and 1 066 100 votes, accounting for a 8.74 % of the total number of votes at the General Meeting of Shareholders,

5. As of the Report submission day, the ownership statuses of management and supervision officers in respect of the Issuer's shares are as follows:

   a/ management officers:

   - Piotr Janeczek 115 053 shares of nominal value: PLN 230 106,
   - Józef Ryszka 504 shares of nominal value: PLN 1 008,
   - Łukasz Mentel 100 shares of nominal value: PLN 200.

   b/ supervision officers:

- Janusz Bodek 61 974 shares of nominal value: PLN 123 948.

In the period pending from the date of issuance of the previous periodic report, no changes occurred in respect of the shareholding status of the managing and supervising officers.

Moreover, Piotr Janeczek indirectly holds, i.e. through:

- STP Investment S.A. - 1 829 319 shares, accounting for a 32.78 %-share in capital and 5 875 691 votes, accounting for 48.17 % of the total number of votes at the General Meeting of Shareholders,
- Stalprodukt Profil S.A. - 579 652 shares, accounting for a 10.39 %-share in capital and 1 095 488 votes, accounting for 8.98 % of the total number of votes at the General Meeting of Shareholders,
- F&R FINANSE sp. z o.o. – 43 807 shares, accounting for a 0.79 %-share in capital and 43 807 votes, accounting for 0.36 % of the total number of votes at the General Meeting of Shareholders,
- Stalnet sp. z o.o. (together with Mrs. Halina Orłowska) – 135 564 shares, accounting for a 2.43 %-share in capital and 383 572 votes, accounting for 3.14 % of the total number of votes at the General Meeting of Shareholders,

i.e. the total of 2 588 342 shares, accounting for a 46.38 %-share in capital and 7 398 558 votes, accounting for 60.65 % of the total number of votes at the General Meeting of Shareholders.

Considering the shares directly held by Mr. Piotr Janeczek, he holds a total of (i.e. directly and indirectly) 2 703 395 Stalprodukt S.A. shares, accounting for a 48.45 %-share in capital and 7 973 471 votes, accounting for 65.36 % of the total number of votes at the General Meeting of Shareholders.

6. Apart from the typical and routine transactions, concluded in line with market conditions, with the capital group - associated companies, resulting from the on-going operating activities, neither the Stalprodukt Company, nor its subsidiaries concluded any other transactions with associated companies during the reporting period.

7. The total value of the Issuer's transactions with associated companies in the period from 01.01.2019 to 30.06.2019 and in the comparable period from 01.01.2018 to 30.06.2018 is presented in the Table below.

Items the 1st half of 2019	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.	24	1 573	208	1 828
Stalprodukt-Wamech sp. z o.o.	134	2 120	665	4 496
Stalprodukt-Centrostal sp. z o.o.	52	3 490	226	2 319
Stalprodukt-Serwis sp. z o.o.	63	2 249	354	3 217
Stalprodukt-Zamość sp. z o.o.	1 112	547	3 175	796
Stalprodukt-Ochrona sp. z o.o.	19	1 304	107	2 008
STP Elbud sp. z o.o.	212	5 126	1 027	11 910
Cynk-Mal S.A.	6 765		15 536	3 153
ZGH “Bolesław” S.A.	0	16	0	54
Anew Institute sp. z o.o.	0	327	0	474
GO STEEL Frydek Mistek a.s.	21 528	1 776	117 773	26 350

Moreover, in the 1st half of 2019, some transactions were carried out with entities in which the Company holds stakes: Stalnet Sp. z o.o.- sales PLN 23 thousand, costs PLN 102 thousand; receivables PLN 7 thousand, liabilities PLN 15 thousand; Stalprodukt-Profil S.A. sales 6 thousand, costs PLN 0 thousand; receivables PLN 0 thousand, liabilities PLN 0 thousand. These were market-type transactions.
Under the contract to perform a specific task, the balance towards F&R Finanse Sp. z o.o. amounts PLN 12 804 thousand.

Items the 1st half of 2018	PLN thousand			
	Mutual settlements		Mutual revenues and costs	
	Receivables	Liabilities	Revenues	Costs
Stalprodukt-MB sp. z o.o.	85	2 040	388	2 330
Stalprodukt-Wamech sp. z o.o.	135	1 605	688	4 656
Stalprodukt-Centrostal sp. z o.o.	54 289	259	165 870	715
Stalprodukt-Serwis sp. z o.o.	64	1 082	351	2 727
Stalprodukt-Zamość sp. z o.o.	89	121	397	414
Stalprodukt-Ochrona sp. z o.o.	19	758	108	7 135
STP Elbud sp. z o.o.	211	5 122	1 171	13 196
Cynk-Mal S.A.	6 503	3	14 353	6 607
ZGH “Bolesław” S.A.	0	20	0	192
Anew Institute sp. z o.o.	0	134	0	315
GO STEEL Frydek Mistek a.s.	38 583	1 998	75 540	3 816

Moreover, in the 1st half of 2019, some transactions were carried out with entities in which the Company holds stakes: Stalnet Sp. z o.o.- sales PLN 23 thousand, costs PLN 162 thousand; receivables PLN 5 thousand, liabilities PLN 33 thousand; Stalprodukt-Profil S.A. sales 6 thousand, costs PLN 0 thousand; receivables PLN 0 thousand, liabilities PLN 0 thousand. Under the contract to perform a specific task, the balance towards F&R Finanse Sp. z o.o. amounts PLN 12 771 thousand.

8. In the reporting period the Group made investment outlays on the purchase and formation of tangible fixed assets amounting to PLN 7 3 240 thousand. No significant fixed asset components have been disposed of during the reporting period.

9. On 19 June 2019, the General Meeting of Shareholders adopted a resolution on the disbursement of dividend from the 2018 financial result. The profit amount appropriated for the dividend amounts to PLN 27,901,335 which, considering the number of shares: 5,580,267 items, yields PLN 5.00 per share. The dividend record date is fixed on 1 July 2019, and the dividend disbursement date was fixed on 16 July 2019.

10. The General Meeting of ZGH „Bolesław" S.A. Shareholders held on 18 June 2019 adopted a resolution on the dividend disbursement for the fiscal year 2018. The profit-based amount appropriated for the dividend is PLN 6.00 per share. The dividend disbursement date was fixed on 27 July 2018. The dividend amount of PLN 94,609,866.00 shall be recognized in the Issuer's separate result for the 3rd quarter of 2019.

11. On 25.04.2018, the Regional Court of Cracow, 9th Economic Department (cases jointly designated with file No IX GC 543/13) issued judgements in the following cases regarding the subsidiary company, i.e. ZGH "Bolesław" S.A.:
    1. regarding the suit brought by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. in Olkusz against the Company for the payment of compensation in the amount of PLN 64,015,224.00 (File No IX GC 99/14) issued a preliminary judgement, recognizing the action of PWiK sp. z o.o. in Olkusz as justified as a matter of principle. The potential amount of the compensation shall be subject to further proceedings and may total the maximum of PLN 64 million. In connection with the referenced lawsuit, already in 2015, the Company formed a provision amounting to PLN 15 million. The judgement is not final and legally binding. The Company shall lodge an appeal against the judgement,

    2. regarding the suit brought by the Company against PWiK sp. z o.o. in Olkusz for declaratory action seeking to establish that the Company is not liable for the lack of water supplies resulting from the mine dewatering activities after the mine liquidation and that the Company is not liable for the pollution of the existing or former water intakes, PWiK sp. z o.o. (File No IX GC 543/13), issued a judgement dismissing the action. The judgement is not final and legally binding. The Company shall lodge an appeal against the judgement.

The Issuer informed about the above mentioned judgements and the standpoint of the ZGH "Bolesław" S.A. company in the case, in the Current Report No 6 dated 25.04.2018. The Issuer shares the opinion of the subsidiary company ("Company") contained in the report concerned, which was provided below:

a) *from the beginning of 2017 onwards, PWiK sp. z o.o. ceased to use the mining waters, provided by the Company, in its activities as defined in the Articles of Association. Staring from that moment, PWiK sp. z o.o. has exclusively used its own independently-constructed water supply system, based, in particular, on the Kolbark, Cieślin and Bydlin water intakes. The above intakes seem to sufficiently secure the Olkusz region's water supply,*
b) *what is recognized as damages in the case concerned, is the value of the outlays made by PWiK sp. z o.o. in order to build the new water supply system. It should be pointed out that, considering the present condition, as for today PWiK sp. z o.o. expended around gross PLN 29 million to this end. These funds were used for the construction of the above mentioned water intakes and water distribution pipelines. Therefore, at the present moment, this is how much the damages total and not PLN 64 million,*
c) *in the Company's assessment, the potential compensation amount should be rendered as a net amount (exclusive of VAT, which PWiK sp. z o.o. may deduct). The present status means that the above mentioned amount should be reduced by 23%.,*
d) *while building the water supply system, PWiK sp. z o.o. benefited from the EU extra funding amounting to 60-80% of the project value. In the Company's assessment, the adversary has not sustained any loss in this respect,*
e) *determining the compensation amount, one should exclude investments related to the water supply activities, e.g. water chlorination equipment, UV irradiation,*
f) *the above issues shall, most probably, be the object of further proceeding, including the valuations to be made by the experts.*

Moreover, it should be reminded that the issue of contingent liabilities related to the acquisition of ZGH "Bolesław" S.A. was described in detail in the Stalprodukt S.A. Consolidated Financial Report for the year 2013 (item 11. Settlement of the ZGH "Bolesław" S.A. purchase price). The contingent liabilities were defined as resulting from the risks identified by the Acquirer and related, among others, to: the "Olkusz-Pomorzany" mine liquidation costs and liability for the mining damages. The amount resulting from the above mentioned estimates totaled PLN 296 115 thousand. This amount was entered in the Balance Sheet as of 31.12.2013 in the position "Contingent liabilities due to the purchase of ZGH "Bolesław" S.A".

12. Neither the Issuer nor its Capital Group's entities issued, redeemed or paid any debt or other capital securities, apart from the ones referred to herein.

13. During the reporting period and within the submission of the present quarterly report, neither the Parent Company, nor its subsidiaries, granted any sureties, loans, credits or guaranties, apart from the ones referred to herein.

14. In the Issuer's assessment, the factors likely to affect the Group's results at least in the perspective of the coming quarter, shall be:

- fluctuations of charge prices and demand for Stalprodukt's products,
- fluctuations of the LME zinc and lead prices and LBM silver prices ,
- fluctuations of currency exchange rates.

15. During the reporting period and following 30.06.2019 until the preparation of the Abridged Consolidated Report for the 1st half no other important events took place, apart from the ones mentioned herein, which might significantly affect the Group's standing and its financial results. The Issuer does not possess any other information, which, in his opinion, is essential for the assessment and changes in the Group's staffing level, assets structure and financial standing, or information essential for the assessment of its potential capacity to settle the liabilities incurred.

16. Pursuant to par. 62, subpar. 1 of the Regulation of the Minister of Finance as of 29.03.2018 on current and periodic information to be disclosed by issuers of securities and conditions for recognizing as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws 2018, item 757), the Issuer does not submit its separate the semi-annual standalone report. This Report constitutes a supplement to the Abridged Consolidated Report rendered as the „Stalprodukt S.A. Abridged Financial Report for the 1st Half of 2019".

17. No additional information was appended to the Abridged Consolidated Financial Report for the 1st half of 2019 as, during the reporting period, no other events, concerning the separate report, took place, apart from the ones referred to herein.

18. This Abridged Consolidated Financial Report for the 1st half of 2019 was approved for publication by parent Company's Management Board on 30.08.2019.

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Łukasz Mentel
Member of the Management Board
– Financial Director

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Józef Ryszka
Member of the Management Board
– Marketing Director

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Piotr Janeczek
President of the Management Board – CEO